22 October 1979

MEMORANDUM FOR: Coordinator for Academic Relations, NFAC

SUBJECT : Request to Lecture at the Defense Institute for Security Assistance Management

I request approval to give a guest lecture at the Defense Institute for Security Assistance Management, Wright-Patterson AFB, Ohio on 15 November 1979. The lecture will deal with "The Threat From the Third World: Myths vs. Realities" and will be unclassified. The audience will be US military officers and the cost of travel and expenses will be borne by DoD.

STATINTL

Attachment:
Text of Lecture

SUBJECT: Request to Lecture at the Defense Institute for Security Assistance Management

APPROVE:

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Offic [redacted]

10.22.79
Date

CONCUR:

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25 October 1979
Date

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CONCUR:

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29 Oct 79
Date

NOTE: I will base my remarks on this text which was approved for publication in 1978

PANEL 4

The Threat from the Third World: Mounting Challenge to US and Western Economic Superiority?

. . . where the competition between the two superpowers is non-military, the United States continues to enjoy a number of critical advantages: in industrial, agricultural, technological, and diplomatic strength . . . .

Harold Brown, *Department of Defense Annual Report Fiscal Year 1979,* p. 2.

Five years from now, will American Defense Secretaries make the same judgment? Does the United States really hold, as our conference planners put it, "significant, long-term advantages in most of the traditional, non-military elements of national power, including the enormous strength of its worldwide economic position?" The accumulation of vast dollar holdings by key members of OPEC, the dependence of all free world countries on OPEC oil, the weakening position of the dollar and the deterioration in the US balance of trade, and the growing assertiveness of key LDC's (less developed countries) on both international economic and political issues all raise significant questions concerning US national security in its broadest sense.

So far, the economic and political trends noted above have complicated US relations with a host of free world countries, especially in the so-called Third World. The growth in power and influence of OPEC, of course, is the most obvious example of the changed environment in which US foreign policy is now conducted. But the issues which have complicated foreign relations and have constrained US freedom of action reflect far more than uncertainties about access to and future supplies of natural resources. Diffusion of power—the growing political and economic multipolarity of international relations despite the persistence of strategic bipolarity—has also been cited as an important factor limiting US freedom of action on a global scale, especially in the areas of human rights, North-South relations, Southern Africa, nuclear nonproliferation, and antiterrorism policy. But what do these trends portend for national security? Do they necessarily weaken the United States or erode the strength of its alliance network vis-a-vis the Soviet Union?[1]

Author's Note: I have benefitted from the advice and thinking of many colleagues in preparing this paper, especially Peter Clausen, Donald Goldstein, and Sidney Zabludoff. For the paper's shortcomings, however, I am soley responsible. The views expressed herein, moreover, are not intended to represent official US Government thinking or policy.

THE LINKS BETWEEN NATIONAL SECURITY AND ECONOMIC RESOURCES

There are three major links between economic resources and security. The most direct is in the area of *capabilities*. Wealth makes possible the maintenance of ready military forces and provides policymakers with the option of increasing these capabilities. Wealth also correlates with the scope of *alliance networks*, adding important strategic resources to national military power. But wealth, to the extent it depends on such resources as expanding foreign markets and imported raw materials, also tends to increase *dependence* on political and economic forces that a state may not be able to control even if it possesses a preponderance of military power. It is this third aspect of the link between economics and security that is of central concern here.

Starting with the monetary turmoil of the early 1970's and the fourfold increase in oil prices, the US economy has been subjected to an unprecedented series of shocks it neither anticipated nor could control, and from whose effects it has by no means yet recovered. Important structural changes have also occurred in the areas of trade and political relations, especially among the members of the OECD and NATO. While much has been written by politicians and economists about these developments, they have received relatively little systematic attention from students of national security policy.

Fortunately, two excellent essays have recently appeared that do explore the security implications of recent changes in trade and monetary relations.[2] Both essays reach essentially the same conclusion; namely, that given the increasing sensitivity (i.e., "interdependence") of states to the economic actions of allies as well as adversaries, governments will be beset by mounting domestic pressures which will inevitably require exploiting the vulnerabilities of others. The principal implication of this finding for national security is that such sensitivities will tend to promote conflict rather than cooperation, especially among allies.[3]

Since the essays from which this conclusion is drawn cover their fields so well, I plan to focus the bulk of this paper on an area that still has received almost no attention from students of national security: the so-called "threat from the Third World." Has the politicization of international economic relations by demands of the developing countries for a "New International Economic Order" and the polarization of other international issues along "North-South" lines weakened US leadership and, thereby, threatened US security? Have these developments enhanced the power and influence of the Soviet Union?

THE THREAT FROM THE THIRD WORLD

In September 1973, the near-moribund Non-Aligned Nations Movement was transformed by the leadership of Algeria and Mexico into an effective negotiating bloc within the UN system that launched, and to this day sustains, the momentum behind what has come to be called the "North-South dialogue" between industrialized and developing countries over the distribution of both wealth *and political power* in international affairs. During 1975 and 1976, moreover, LDC demands for a "New International Economic Order" (NIEO) were amplified by "threats" that OPEC would determine future oil prices in part on progress toward the NIEO,[4] that other LDC's would form OPEC-style producer cartels that would demand (in return for assured supply) substantially higher prices for their commodities, and that the LDCs' UN negotiating bloc (the Group of 77) would hold multilateral negotiations—on such key global issues as energy, nuclear nonproliferation, and law of the sea—hostage to the NIEO demands.

Some observers anticipated such "threats" and argued that they had the potential to do real damage to US economic interests, especially in the context of OECD relations.[5] The argument here was based partly on the belief that other OPEC's could be formed, partly on the growing sophistication and assertivenes of key LCD's who would in any case want to exact higher costs for continued US access not only to resources but also to trade and investment opportunities, and partly on the disturbing impact that the aforementioned developments could have on OECD relations at a time when such relations were already tense due to economic competitiveness.

Coupled with the economic argument was a growing political concern about US global leadership and how it could be affected by the diffusion of power mentioned earlier. Here, the argument was that the growth in LDC assertiveness would reduce US capacity to deal with key international problems. The threat implied by such a development was that on international political issues of major importance, the United States would find itself isolated and unable to work its will either unilaterally or in the UN context.[6] For some, this argument could be dismissed on the grounds that the UN (and multilateral diplomacy in general) was not vital to our interests and that we could effectively "weigh-in" on issues that counted by pursuing our goals bilaterally.[7] This approach was tested in 1976 in the UN, the law of the sea negotiation, and the Paris-based conference in International Economic Cooperation and tended to vindicate the claims of its proponents. Nonetheless, there has been a tendency (some would add "growing") for the tensions and concerns of multilateral diplomacy to spill over and to complicate bilateral relations with some key LDC's. United States relations with Mexico under Echevarria and Brazil, Nigeria, and Indonesia today are cases in point.

These lines of argument provide a framework for analysis and are useful in pointing out the key questions to examine. But these arguments frequently tend to treat the LDC's in the abstract or as a bloc when, in fact, the LDC's differ widely in outlook, capabilities, and objectives. What needs to be looked at is the behavior of key LDC's in dealing with concrete problems to determine whether and how the growing assertiveness and power of some developing countries threaten the advantages that the United States holds over the Soviet Union in the nonmilitary elements of national power.

PETRODOLLARS AND SECURITY

There is only a handful of LDC's whose power over international political and economic relations is clearly rising. Of primary importance are the petrodollar surplus countries of Saudi Arabia, Kuwait, Iran, and the United Arab Emirates (UAE) who have the potential to affect directly and unilaterally world financial flows. Their current reserves, for example, account for a lion's share of OPEC's $160 billion in net foreign assets, a figure which conjures up for some a growing potential to wreak havoc in the international economy along the lines of that forecast by fiction writers today.[8]

The interest of these countries is—first and foremost—to assure the security of their holdings, however. Their growing links to and dependence on the West for secure outlets for investments and for advanced technology and other material assistance deemed essential to modernization create, in effect, a reverse dependence that will continue to discourage petrodollar surplus countries from seeking to destabilize the world economy.

ENERGY DEPENDENCE AND SECURITY

While the non-OPEC sources of oil supply are projected to double by 1985, growing free world dependence on Middle East oil to balance the market is irreversible over the next 5-10 years.[9] At the same time most OPEC states, especially those in the Arabian peninsula, are becoming concerned about not only the price at which they sell their oil but also with the rate at which it is produced. Citing the need to hold up prices in a glutted market and the longer-term significance of conservation now, some major oil producing states have announced production cutbacks for indefinite periods. Because of the current oil supply glut and the slow rate at which demand is growing, these actions pose no immediate problem, i.e., for the next year or so. But, as most recent estimates suggest, demand will begin to approach supply certainly by the mid-1980's, with the outlook for substantially increasing OPEC production uncertain (especially if key OPEC producers continue to cut back their investment in production capacity). At that time, sharply rising oil prices—especially if the dollar continues to decline—will become not only feasible but irresistible. Thus, by the mid-1980's, the United States and other industrialized countries may find themselves burdened with substantially higher energy costs.[10]

Inherent in the conditions sketched above are major threats to United States prosperity and security. There may be the spectre of oil stringencies due to rising demand or continued OPEC reluctance to increase production, or the threat on the part of some oil producers to invoke a supply interruption, in order to pressure the United States on the Arab-Israeli conflict.[11] While a fully implemented strategic petroleum reserve would ease the immediate effects of such a supply interruption, it could not remove a large element of US and OECD vulnerability to the longer-term impacts. But even without an embargo, looming oil stringencies and their effect on prices would severely strain global economic recovery and, no doubt, add to tensions among the OECD partners, and between them and the developing countries. Energy dependence and the threat of sharply rising energy costs will thus continue to cast a shadow over the wider environment of American foreign policy.[12]

While it is important to guard against a kind of "energy determinism," there are a number of areas in which energy problems are likely to influence the management of economic and political-military relations among the OECD countries and throughout the rest of the world. High energy costs have increased inflation, slowed growth, and aggravated balance-of-payments problems in all countries, and thereby compounded the problems of trade and monetary relations among them.[13] Multilateral cooperation in the recycling of oil revenues and the extension of assistance to the most seriously affected nations, like Italy, will be continuing requirements. In addition, it will be necessary to cope with increased pressures for assertively nationalistic and "mercantilist" forms of economic behavior, as consuming nations attempt to manage energy-related economic strains and to form special trade and investment relations with producers of oil and other raw materials. The recent intensification of competition in the export of nuclear facilities —and the attendant friction in US relations with France and Germany—is perhaps the most disquieting example of a trend that is also manifest in transfers of conventional arms and various energy technologies.

Energy costs have also had the effect of aggravating existing disparities in economic health among OECD nations. Countries already suffering from severe economic problems are particularly vulnerable to rising energy costs. Given that oil imports account for

a large and relatively inflexible share of overall imports in countries like France, Italy, and Japan, even modest price increases can greatly compound existing difficulties. While stronger economies (e.g., the United States and Germany) may experience only a temporary dip in growth, weaker ones may be caught in a persistent and self-reinforcing cycle of depressed growth, inflation, and depreciating currencies. A temporary improvement in economic performance, leading to increased energy consumption, only threatens to start the cycle again.

In the arena of East-West relations, energy dependence represents a major asymmetry in the components of national power of the OECD and the Communist countries, since both the Soviet Union and China are relatively self-sufficient in energy. Some 40-50 percent of Soviet export earnings are now energy-related, moreover, and this has eased hard currency problems for the Soviet Union and has facilitated the purchase of some advanced technology that could eventually affect the strategic balance. So far, neither of the major Communist powers has gained a significant strategic advantage from energy self-sufficiency, despite the temporary breakdown in Western alliance solidarity at the time of the 1973 Middle East conflict and the subsequent economic difficulties of the OECD nations. And, some predict that the Soviet Union will cease to be a net exporter of energy by the mid-1980's. Such a development could have enormously significant consequences for Soviet military capabilities, especially the strength of its alliance relationships with the Eastern European countries. If Soviet demand runs up against supply, Warsaw Pact countries could find themselves scrambling for oil on the international market, rather than looking to Moscow.

Nevertheless, the energy-related problems discussed above would probably have their greatest impact on the structure of collective security in the non-Communist world. As noted earlier, the preoccupation with oil supply problems competes with allies' political-military links to the United States (especially in the case of Japan and Southern Europe), and this could have potentially serious consequences during crisis situations. In addition, the domestic economic constraints to which energy costs have contributed could place a growing strain on defense budgets and thus exacerbate the issue of NATO burden-sharing. A likely consequence is an increasingly high German profile in the European contribution to NATO defense, and a concomitant increase in the prominence of the US-German core of the Atlantic Alliance. Combined with problems of political stability and the strength of the left in the Southern European countries, this trend could dilute the Atlantic orientation of the latter and render their continued contribution to NATO defense problematical.

RESOURCE DEPENDENCE AND SECURITY

In the heady, confrontation-filled months following the 1973-74 OPEC price rises and the Arab oil embargo, the slogan "One, two . . . many OPEC's" was frequently heard at LDC and UN meetings. Spurred on by the example of OPEC and undaunted by the uniqueness of oil in the international economy and the central role of a coherent Arab political interest within OPEC, some developing countries sought greater control over their terms of trade with industrialized countries. What they were after was a way to transform the growing dependence of the industrialized countries on imported raw materials into sufficient leverage over the latter so that a comprehensive international agreement—what the LDC's call the "Integrated Program on Commodities" (IPC)—substantially raising and then stabilizing commodity prices could be negotiated.[14]

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Efforts on the part of LDC's to exert greater control over commodity markets are not new.[15] In 1906, Brazil intervened for the first time in the coffee market and during the 1920's Chile (nitrates), Mexico (sisal), Cuba (sugar), and Britain's Asian colonies (natural rubber) all attempted what the LDC's, en bloc, are now seeking with the IPC. In the 1930's, international commodity agreements for coffee, sugar, tin, wheat, and tea were negotiated; after World War II, such agreements were negotiated for coffee, cotton textiles, tin, cocoa, and wheat. What is new, however, is the degree to which LDC governments now own these industries and view control over them as extensions of national power, especially in the area of foreign policy.

Of the major commodities required for the industries of a modern economy, the United States in 1973 already imported more than 50 percent of what is consumed for many key elements in metalworking and steelmaking industries (bauxite, chromium, nickel, manganese, tin, colbalt, columbium, and fluorspar). By the end of this decade, zinc and tungsten (both used in the metalworking and chemical industries) will probably be added to this list. And some analysts predict that the United States will be virtually dependent on imports for all its requirements of tin, manganese, chromium, and bauxite by 1985.[16]

But as Table 1 suggests, dependence on imported raw materials is not necessarily synonymous with dependence on LDC's. Australia, Canada, South Africa, and in the case of chromium and platinum the USSR, are key suppliers. In the case of those commodities for which LDC's are the major suppliers—Jamaica and Surinam for bauxite, Malaysia and Indonesia for natural rubber, Brazil for manganese, Malaysia and Thailand for tin, Mexico for fluorspar, Brazil for columbium, and Zaire for cobalt—there has been either relatively little interest in cartelization or a shortage of political will to carry it off. And, for the foreseeable future, the Council on International Economic Policy found that a potential for "cartel-like action to restrict supplies or raise prices" existed only for bauxite (the most common mineral on earth) and cobalt (of which the US possesses a large stockpile and for which nickel can be substituted in many uses).[17] Finally, when considering the portion of the critical imported raw materials listed above actually required for defense production (an estimated 10-20 percent in wartime), the threat such dependence poses for US security must be judged low.

On balance, then, while efforts on the part of LDC's to form producer cartels may persist given the rhetoric of the North-South dialogue, they are not likely to generate "commodity power" *a' la* OPEC or to create US vulnerabilities in a way that would markedly affect the strategic balance. It is most unlikely that LDC's acting as a bloc could exercise the control over the market that the Arab oil exporters achieved in 1973 or that, en bloc, they could ever agree on joint action in the first place.

Some would argue, however, that dependence on LDC's for imported raw materials poses more of a problem for our NATO allies and Japan, and accounts for their greater fear of the spectre of LDC "commodity power." Tables 2 and 3 provide (with the latest available data) a profile of the major suppliers for imported raw materials of the Western European countries and Japan. Developed countries still figure prominently as suppliers as they do in the case of the United States. Japan clearly has a greater reliance on Asian countries as a source of many more raw materials than either the United States or Europe, while European countries have a greater reliance on Black Africa for many more of their imports than does either Japan or the United States. But what makes these dependencies significant from a security point of view is not the prospect that events or

Table 1

US NET IMPORTS OF SELECTED COMMODITIES

Commodity	Net Imports 1973 $ Millions	Net Imports as % 1973 * Consumption	Net Imports 1976 $ Millions	Major Suppliers 1969-1972 - %	Major Suppliers 1976 - %
Alumina	209	33%	330	Australia (50), Jamaica (22), Surinam (18)	Jamaica (55), Guinea (13), Surinam (11), Guyana (10)
Bauxite	143	90%		Jamaica (54), Surinam (23),	
Chromium	63	70%	70	USSR (32), South Africa (30), Turkey (18)	USSR (29), Turkey (27), South Africa (20)
Platinum group metals	145	95%	270	UK (39),** USSR (32), South Africa (12)	UK (19), South Africa (53), USSR (20)
Iron Ore	534	28%	980	Canada (50), Venezuela (31)	Canada (64), Venezuela (15), Brazil (11)
Nickel	544	65%	526	Canada (82), Norway (8)	Canada (67), Norway (11)
Natural Rubber	347	100%	522	Malaysia (40), Indonesia (39)	Indonesia (45), Malaysia (32)
Manganese	100	82%	74	Gabon (35), Brazil (33)	Gabon (43), Brazil (24)
Zinc	303	48%	503	Canada (60), Mexico (24)	Canada (71), Honduras (19)
Tin	215	65%	330	Malaysia (64), Thailand (27)	Malaysia (60), Thailand (14)
Titanium	48	29%	75***	Japan (73), USSR (19), UK (8)	
Cobalt	54	95%	--	Zaire (45), Belgium-Luxembourg (29)****	
Mercury	12	78%	4	Canada (59), Mexico (17)	
Tungsten	27	41%	31	Canada (61), Peru (9)	Canada (24), Bolivia (15)
Lead	27	17%	63	Canada (29), Peru (21), Australia (21), Mexico (17)	Canada (33), Honduras (36)
Columbium	NA	63%	NA	Brazil (62), Canada (16)	
Vanadium	NA	25%	NA	South Africa (55), Chile (35)	
Fluorspar	52	83%	66	Mexico (77), Spain (12)	Mexico (50), Canada (14)
Copper	143	5%	777	Canada (31), Peru (27), Chile (22)	Canada (21), Chile (17), Papua, New Guinea (20)
Phosphates..............	US net exporter				

*In quantity terms. Calculated by dividing net imports by total consumption. In some cases consumption includes withdrawals from (or additions to) government and/or private stocks.
**UK sources for raw materials are South Africa, Canada, and USSR.
***Includes Vanadium, Molybdenum, Tantalum, Zirconium
****Of Zaire origin.

Table 2

WESTERN EUROPEAN RAW MATERIAL IMPORTS -- MAJOR SUPPLIERS, 1976 (SHARE OF TOTAL)

	United States	Canada, Australia, So. Africa, Rhodesia	Black Africa	Latin America and Caribbean	Asia*	Communist Countries	Yugoslavia
Aluminum	4.2	.8	1.8	.7	.4	3.3	.9
Bauxite/Alumina	.1	36.8	39.0	15.0	3.0	3.1	.0
Chromium Ore and Conc.	2.0	16.3	9.5	.8	31.7	34.0	.0
Copper	3.9	12.1	21.5	13.7	.2	4.1	.8
Copper Ore and Conc.	.0	20.5	4.6	14.8	47.7	.6	—
Iron Ore and Conc.	.2	24.9	18.8	29.3	.6	2.1	.0
Lead	.2	47.2	2.9	3.6	4.0	4.7	2.1
Lead Ore and Conc.	3.7	20.4	5.2	32.7	.9	2.9	.0
Manganese Ore and Conc.	.6	42.5	37.8	12.1	1.7	1.1	.0
Nickel	14.8	28.7	.1	1.6	2.0	5.6	.0
Nickel Ore and Conc.	17.8	32.3	1.5	22.6	10.7	.0	—
Tin	.5	1.2	7.1	3.4	58.8	5.1	.0
Tungsten Ore and Conc.	1.6	16.9	2.5	18.1	34.3	20.5	—
Zinc Ore and Conc.	3.6	45.4	2.6	20.4	1.7	.4	.0
Zinc	.4	7.9	4.6	2.7	2.0	7.0	.8
Iron Ore	.2	24.9	18.8	29.3	.6	2.1	.0
Felspar, Fluorspar	.2	3.1	6.5	2.4	4.6	4.8	.0
Platinum Group	19.3	14.0	.0	.2	.1	15.5	.5
Ores and Conc. of Titanium, Vanadium, Molybdenum, Tantalum, Zirconium	18.2	41.0	.3	10.6	1.2	.0	.0
Natural Rubber	.4	.0	10.1	.4	84.9	.0	.0
Mercury	.6	.0	16.3	.0	8.0	5.3	.4
Tungsten	10.6	.2	.0	.2	6.6	.4	.2
Cobalt Oxides and Hydroxides	3.7	31.4	.0	.0	.0	.0	.0

* Includes Middle East and Oceania

— Data not available

Table 3

JAPANESE RAW MATERIAL IMPORTS -- MAJOR SUPPLIERS, 1976 (SHARE OF TOTAL)

	United States	CASAR*	Africa	L. America & Caribbean	Asia	Communist Countries	Yugoslavia
Aluminum	11.3	14.2	3.9	.0	20.9	20.5	1.2
Bauxite/Alumina	1.0	57.8	—	9.9	31.1	.9	—
Chromium Ore and Conc.	1.0	22.9	13.3	—	55.2	7.5	—
Copper	3.5	19.3	51.1	22.2	.8	.1	.0
Copper Ore and Conc.	.3	32.6	4.1	9.6	53.4	—	—
Iron Ore and Conc.	—	53.9	1.7	27.1	15.4	.8	—
Lead	1.0	5.7	.0	58.2	31.9	30.1	—
Lead Ore and Conc.	6.8	52.7	—	30.3	10.2	.0	—
Manganese Ore and Conc.	—	63.9	11.2	7.0	15.8	2.9	—
Nickel	5.5	48.6	.3	.0	7.9	20.3	—
Nickel Ore and Conc.	—	—	—	—	100.0	—	—
Tin	.0	.0	.0	.0	99.9	.8	—
Tungsten Ore and Conc.	5.1	19.4	1.1	15.2	56.5	3.6	—
Zinc Ore and Conc.	—	49.1	—	40.8	10.1	1.8	—
Zinc	.2	.0	.1	.8	98.5	98.0	—
Iron Ore	—	53.9	1.7	27.1	15.4	.8	—
Felspar, Fluorspar	—	32.7	10.5	.0	56.7	28.0	—
Platinum Group	5.8	39.9	—	.0	.0	38.2	—
Ores and Conc. of Titanium Vanadium, Molybdenum, Tantalum, Zirconium	32.7	53.2	1.4	3.9	6.4	.1	.0
Natural Rubber	.0	—	—	.9	99.1	.3	—
Mercury	—	—	49.2	.0	.0	.0	9.7
Tungsten	24.5	.0	.0	.0	47.0	.1	—
Cobalt Oxides and Hydroxides	3.2	2.4	—	—	.0	.0	—

* CASAR: Canada, Australia, South Africa, and Rhodesia

— Data not available

political crisis in an African or Asian country would lead to supply shortages, but the political frictions that could be generated by actions our allies might take in response to such a development. As the Council on International Economic Policy (CIEP) pointed out in its 1974 report,

> We have a basis of concern with the supply and price problem of Europe and Japan. If, for example, their supplies of copper were interrupted because of some unforeseen production shutdown in Latin America or African countries, the Japanese would no doubt move into the US market to obtain supplies. The price US consumers pay would thus be affected. Faced with sudden and heavy foreign demand for US material, the US would face the option of permitting market forces to continue operating or implementing special measures to protect US consumers, e.g., applying export controls.[18]

While, hypothetically, any supplier of raw material has the capability to cease supplying it, the important questions in sum are:

—Under what conditions would such an action become a viable foreign policy option?

—What impact would it have on relations between all countries who are dependent on imports of the particular commodity about to be embargoed?

Regardless of how costly such an action might prove, some countries might well determine in a crisis situation that a supply interruption is a viable policy option. But even the Arab oil embargo—which occurred under conditions unlikely to prevail for any LDC-supplied commodity discussed here—was a weapon designed to be used only in the *short run* because of cost/benefit considerations.[19] While, therefore, the threat from LDC "commodity power" cannot be dismissed as a contingency (for it can add significantly to the intensity of a crisis and to tensions among allies), the ability of importing countries to cope over the long run should help significantly to ameliorate its impact on security.

TRADE DEPENDENCE AND SECURITY

Here, the concern centers on the degree to which the United States and other industrialized countries have become, since the quadrupling of oil prices, increasingly dependent on trade with the LDC's to assure high rates of growth. The most familiar line is that argued by the Overseas Development Council:

> The developing countries' imports of goods from the industrialized countries in general and from the United States in particular, have grown to the extent that they can have an important and measurable impact on economic conditions in the industrialized countries. . . . The extent of these linkages between the industrial and lower income countries is suggested by recent calculations that a reduction of 3 percentage points in the annual growth rate of the non-oil exporting LDC's alone (of the sort many now expect for the rest of the decade) is likely to reduce the annual growth rate of the OECD economies taken as a group by one percentage point.[20]

For such linkage to be transformed into LDC leverage, however, the LDC's would have to act with considerably more unity on the international economic scene than they do. Alternatively, the pattern of trade between industrialized and developing countries

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would have to be considerably more concentrated than it is. As in the case of raw materials, the industrialized countries generally do not depend on a few LDC's who could exercise sufficient control over the market to affect decisively and permanently US or other industrialized countries' economic strength. Of the top 10 non-OPEC trading partners, only 3 account for more than 1 percent of the world market (see Table 4).

THE NORTH-SOUTH DIALOGUE, MULTILATERAL DIPLOMACY, AND SECURITY

Three weeks before the outbreak of the 1973 Arab-Israeli war, at the Algiers summit meeting of Non-Aligned Nations, the developing countries called for a special session of the UN General Assembly devoted to the problems of development. The result of that meeting (held in April 1974) was the "adoption" (for no vote was taken) by the UN General Assembly of an "action program" drafted en bloc by the LDC's calling for creation of a "New International Economic Order." This act marked the beginning of the "North-South dialogue," a series of complex international negotiations (see appendix) centered on LDC demands and largely controlled by the developing countries UN caucusing group, the "G-77."

Of greatest significance has been the tendency of some LDC's to link their cooperation in negotiations over law of the seas, the quality of the environment, the regulation of the export of nuclear technology, and international measures combatting terrorism, to progress on their demands for an NIEO.[21] The impact of such linkage tactics was sharply brought home in 1974 at a host of international conferences where bloc tactics, and especially the use of symbolic issues to provoke confrontation, stymied nearly every US initiative and eventually induced a shift in US policy toward certain key LDC demands (e.g., the Common Fund and the scope of the CIEC discussions). Consequently, it was widely believed in Western government circles that progress in multilateral diplomacy in the UN context, and on such key global issues as energy, the environment, nuclear nonproliferation, and terrorism, would not be possible without the support and active cooperation of the G-77.

The momentum behind the North-South dialogue thus came to depend on the efforts of a small, fluid group of LDC's who derive their influence primarily from their ability to control institutions of multilateral diplomacy (e.g., the UN General Assembly, UNCTAD). These activists (e.g., the Philippines, Indonesia, India, Algeria, Nigeria) believe that there should be a redistribution of both wealth and political power in international affairs in their favor. To that end, they contribute resources in perpetually short supply in international organizations—i.e., capable diplomats and technicians who can devote their full time and energies to running caucus meetings, staffing ad hoc drafting groups, and lobbying. Their influence is enhanced not only because they provide what many Geneva- and New York-based Third World diplomats lack (expertise, staffing assistance, budgets for social occasions, and the prestige of occasional Chief of State endorsements), but also because the latter often operate in the absence of any firm instructions (other than to avoid jeopardizing LDC bloc unity) from their national capitals.

Because they are explicitly concerned about power relations, and especially about increasing their authority in regional and international affairs, the activists tend to evaluate the policies and preferences of industrialized countries in terms of their impact on national prestige. What matters to the activists seems to be the degree to which US and

Table 4

TOP 10 NON-OPEC TRADING PARTNERS OF "BIG-7," 1977*

Exports to:	Value (Million US $)	Market Share (percent)	1970 Share (percent)
South Korea	7,284	1.4	1.0
Mexico	6,265	1.2	1.4
Brazil	5,690	1.1	1.0
Taiwan	4,899	.9	.8
Hong Kong	4,749	.9	.9
Singapore	3,822	.7	.6
India	2,638	.5	.7
Philippines	2,481	.5	.6
Thailand	2,450	.5	.5
Argentina	2,155	.4	.7
	Total	8.1	8.2

Imports from:	Value (Million US $)	Market Share (percent)	1970 Share (percent)
South Korea	6,794	1.2	.4
Taiwan	6,693	1.2	.6
Brazil	6,594	1.2	1.1
Hong Kong	5,721	1.0	1.0
Mexico	5,682	1.0	1.0
Malaysia	4,188	.8	.7
India	3,202	.6	.7
Philippines	2,677	.5	.7
Argentina	2,446	.4	.7
Singapore	2,296	.4	.2
	Total	8.3	7.1

*The "Big-7" are the US, Japan, Canada, Germany, France, Britain, and Italy.

other industrial country initiatives and preferences reinforce or detract from such immediate objectives as the consolidation of regional status and influence and the expansion of authority over international institutions.

The continued North-South polarization of international economic and political issues will thus complicate the conduct of multilateral diplomacy and could generate strains in US relations with some of the LDC's who are among the most influential in UN politics. Aside from the Arab oil producing states, however, the nonindustrial states do not have the leverage—individually or collectively—to extract any of their basic demands against the will of the United States. And they clearly wish to avoid any net loss of support from the industrial countries for their modernization efforts.

Nevertheless, the need to manage the problems of resources, poverty, and nuclear proliferation effectively on a global scale will require the active cooperation and support of key LDC's. Some will continue to see the arenas in which solutions to their problems are discussed in North-South terms, evaluating US diplomatic initiatives in terms of political power balances in international organizations. Others, while they may be realistic about the utility of dealing with such problems on a global basis, will continue to find rhetorical support of LDC bloc approaches useful for enhancing their status within the context of regional rivalries and ambitions. And still other LDC's will continue to insist that the problems mentioned above can only be handled on a case-by-case basis and in the context of specific bilateral relationships. Sensitivity to these differences in outlook among the LDC's and to their preferences for dealing with what are nominally called "North-South" issues will thus remain a central challenge to US diplomacy for the foreseeable future.

It should be noted, finally, that the Soviet Union is viewed by most LDC's also as part of the North, and that it is perceived as having contributed little to solving some of the problems at the heart of the North-South dialogue. The frequent criticism of the Soviet role in most international conferences related to these issues has led to greater rhetorical attention by Soviet leaders to countering this criticism, but appears to have had much less impact on Moscow's bilateral relations with some of the most outspoken LDC's (e.g., Angola, Cuba) than criticism of US intransigence has had on the quality of our relations with "activist" LDC's and their leaders.

CONCLUSION

The foregoing was intended to examine the degree to which the economic and diplomatic power of key LDC's could threaten US and Western economic superiority, and how, in turn, such threats could affect US security. What is most striking from this review is that despite the explicit and implied limitations to freedom of action inherent in the changing international economic scene, especially with respect to US-LDC relations, the United States remains the single most powerful and influential country in the international arena. Most LDC's remain politically pragmatic as well as economically dependent and thus potentially susceptible to US influence and power when the latter are clearly delineated and forcefully projected.[22] Countries with some of the attributes of wealth and power remain highly dependent in key areas (e.g., the oil-rich countries for technological development and military security). And while the Soviet Union is a superpower in strategic military terms, it generally cannot match potential US influence and freedom of action vis-a-vis global issues when it comes to economic wealth and power, technological prowess, and alliance and other diplomatic networks.[23] The Soviet

Union can, of course, threaten these capabilities, especially if it succeeds in gaining political, diplomatic, and strategic footholds in the Third World. But, again, how such threats would affect overall security will depend as much on what we do in response as on Moscow's ability to pose them.

At least for the moment, moreover, the challenges to US security posed by the dynamics of the economic changes afoot in the Third World and the implications they have had for diplomacy in the North-South context seem overshadowed by a disturbing development that is *not* on our agenda. This development is the growing challenge to central political authorities that appears to be occurring across the developed-developing country spectrum in the non-Communist world.

In the industrial democracies, challenges to central governments have been manifested for the most part in declining parliamentary majorities, as in Japan, West Germany, Italy, Britain, and Israel. Other manifestations are persistent labor and student unrest, political violence including terrorism, and what might be called "centrifugal politics," (i.e., separatism in Britain, France, Canada, Spain, Belgium, and Northern Ireland). The developing countries have also experienced a large amount of domestic turmoil that challenges the authority of central governments and their ability to mobilize political support and manage pressing internal problems. In 1977 political violence aimed at central political authorities occurred in Ethiopia, Angola, Zaire, Pakistan, the Seychelles, the Philippines, Indonesia, Argentina, Thailand, El Salvador, Nicaragua, Lebanon, and Benin.

The importance of this pattern of challenges to central political authorities lies in its implications for the international environment on which US foreign policy initiatives depend. Domestic instability is significant not only because of its immediate effects on ruling elites, bilateral and regional political relations, and East-West competition, but also because of its significance for addressing global issues of increasing salience such as human rights, responsiveness to LDC economic demands, antiproliferation policies, and arms transfer restraints. The growth of interdependence seems to have coincided with the weakening of central political authorities in many states, making international cooperation on global problems much more difficult to achieve. With little domestic political capital to spare, the compromises so often necessary for longer-term international policies and mutually beneficial adjustments to economic problems—both essential for collective security in an era of essential equivalence—may prove too costly in the short term for hard-pressed governments to bear. While the Soviet Union is not immune to these problems, the ability of the Soviet leadership to act decisively could constitute a major asymmetry in a vital component of national power—political will—that could prove as threatening to the strategic balance as any of the challenges now before us.

ENDNOTES

1. How these trends have affected the Soviet economy will not be examined in detail in this paper. They will be treated in the other paper prepared for this panel. Where appropriate, however, I have tried to at least speculate on what some of these trends could portend for Soviet economic and military capabilities, drawing on the analysis in John P Hardt's recent essay "Soviet Economic Capabilities and Defense Resources," in *The Soviet Threat*, ed. by Grayson Kirk and Nils H. Wessell (New York: The Academy of Political Science, 1978), pp. 122-134.

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2. [redacted]		10/22	A	
3. D/Security - EHB/OS 4E3/3 Hqs	24 OCT 1979	25 Oct	Rh	
4.				
5. C/AR/NFAC 7G-25 Hqs.	10/29/74	10/29	MR	
6.				R
7. PB/NSC Coord. Staff 7E23	29 OCT 1979			
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